Contents

Special Features	
Instructions on Accessing Online Interactive Learning Resources	V
Exam Paper Format	V
Exam Strategies	vi
1 Structure of Economics	2
1.1 Understanding economics1.2 Opportunity cost1.3 Goods	4 5 9
1.4 Solving the problems of resource allocation	11
1.5 Circular flow of economic activities	13
Demonstration	17
Practice	21
2 Price Mechanism	26
2.1 Nominal price and relative price2.2 Demand	28 29
2.3 Supply	31
2.4 Determination of equilibrium price	33
Demonstration	40
Practice	46
Changes in Equilibrium Dries and Quantity	EO
Solution Changes in Equilibrium Price and Quantity	
3.1 Changes in consumption decision	52
3.2 Changes in production and sales decisions	57
3.3 Simultaneous changes in demand and supply Demonstration	62 68
Practice	74
4 Price Elasticity of Demand and Supply	78
4.1 Price elasticity of demand	80
4.2 Price elasticity of supply	89
Demonstration	97
Practice	102

5 Market Intervention	
5.1 Price ceiling (Maximum price control)	108
5.2 Price floor (Minimum price control)	110
5.3 Quota (Maximum quantity control)	114
5.4 Per-unit tax	117
5.5 Per-unit subsidy	121
Demonstration	129
Practice	135
6 Production and Division of Labour	
6.1 Production	142
6.2 Division of labour (Specialisation)	146
Demonstration	152
Practice	156
7 Factors of Production	
7.1 Capital	162
7.2 Land	163
7.3 Labour	165
7.4 Entrepreneurship	171
7.5 Factor income	172
7.6 Mobility of factors of production	172
Demonstration	177
Practice	180
8 Production Function and Cost	
8.1 Fixed and variable factors	186
8.2 Short run and long run	186
8.3 Input-output relationship in short run	187
8.4 Cost-output relationship in short run	192
8.5 Cost-output relationship in long run	195
Demonstration	200
Practice	205

Firms and Business Ownership	210
9.1 Definition of firm	212
9.2 Private and public enterprises	212
9.3 Features of different forms of private business ownership	213
9.4 Comparing different forms of private enterprise	215
9.5 Different methods of raising capital	217
9.6 Public enterprise	219
Demonstration	223
Practice	228
Growth of Firms	າາາ
	232
10.1 Internal and external growth	234
10.2 Types and motives of integration	235
10.3 Methods of integration	236
Demonstration Practice	240 244
Fractice	244
Market Structure	248
—	
11.1 Market and competition	250
11.2 Features of different market structure	251
11.3 Sources of monopoly power Demonstration	254 259
Practice	265
Tractice	203
Solution Guide	269
Index	294